

**CONTRACT
FOR THE SALE AND PURCHASE OF
GOVERNMENT ROYALTY OIL**

Contract Number 6300-94101

This Contract, entered into in triplicate this 1st day of February, 1995 by and between the United States of America, Department of the Interior (DOI), Minerals Management Service, hereinafter called the MMS, and:

Name:	AGE Refining, Inc.
Address:	7811 S. Presa San Antonio, Texas 78223
Representative:	Frank Del Angel
Telephone Number:	(210) 532-5300
Alternate Contact:	Kyle May
Telephone Number:	(210) 532-5300

hereinafter called the Purchaser. The MMS and the Purchaser agree as follows:

ARTICLE I - PURCHASE AND SALE

Subject to the terms and conditions hereinafter provided, MMS agrees to sell to the Purchaser and the Purchaser agrees to buy from MMS all royalty oil accruing to MMS from lands as specified in Exhibit A.

ARTICLE II - TERM

The term of this contract shall be for 34 calendar months from 7:00 a.m., January 1, 1995, to 7:00 a.m., November 1, 1997, provided that this contract is subject to the surrender, cancellation, and termination provisions of Article XVII hereof.

ARTICLE III - VOLUME

Measurement of the volume of royalty oil will be in accordance with standard industry operating practices and on the basis of pipeline/barge shipments unless segregated for delivery on the lease.

ARTICLE IV - DELIVERY OF ROYALTY OIL

With respect to onshore leases, MMS agrees that deliveries will be made without cost to it, and the Purchaser agrees to accept, said royalty oil as an undivided portion of production in merchantable condition at pipeline connections or other facilities provided by the lessee either on or immediately adjacent to the lease(s), unless other arrangements shall be approved by the Secretary of the Interior, acting by or through his designated representative, Chief, Royalty Accounting Division, MMS.

With respect to Outer Continental Shelf leases, MMS agrees that deliveries will be made, and the Purchaser agrees to accept, said royalty oil as an undivided portion of production to designated onshore pipeline connections or other facilities.

The Purchaser shall receive royalty oil from section 8 offshore leases issued after September 1969 at a delivery point designated by MMS. The Purchaser shall receive royalty oil from section 8 offshore leases issued before October 1969 at a delivery point to be designated by the lessee. [The Purchaser will be responsible for transportation from the designated onshore delivery points.] The MMS will establish or approve a value for royalty oil at the onshore delivery point in accordance with Article V below. The Purchaser will pay the established or approved onshore value for its royalty oil at the designated or approved onshore delivery point.

Arrangements for delivery of the royalty oil from, or exchange of the oil at, the delivery point, and related transportation costs, are the responsibility of the Purchaser of the royalty oil.

The Purchaser agrees to accept delivery of its royalty oil entitlement no later than the last day of the calendar month following the month in which entitled at the designated point(s) of delivery during normal operating hours. Failure to accept deliveries shall constitute grounds for termination of this contract. Deliveries of royalty oil may be partially terminated by the Purchaser only with the written approval of the Chief, Royalty Accounting Division.

ARTICLE V - PRICE

The MMS agrees to accept and the Purchaser agrees to pay for said royalty oil at the value determined by MMS in accordance with DOI regulations in Title 30 of the Code of Federal Regulations and guidelines issued by MMS. The price paid by the Purchaser for offshore royalty oil includes the transportation cost to get the royalty oil onshore. It is expressly understood and agreed that the price provisions of this contract are subject to all changes in the regulations at Title 30 of the Code of Federal Regulations, or MMS guidelines, which may be adopted during the term of this contract. Such changes are hereby incorporated.

ARTICLE VI - PAYMENTS

The MMS agrees to accept and the Purchaser agrees to make payments for said royalty oil as follows:

- Purchaser will be billed based on entitlements as reported by the lease operator or its designee.
- A first billing equivalent to an estimate of the first 30 days of royalty oil entitlements will be billed the 17th day of the second month of the contract period, with payment due the last day of the month in which billed. This estimated payment will be credited on the billing for the final month's entitlements. The estimated payment will be subject to periodic adjustment, as deemed necessary, to reflect the current estimated value of the preceding 30 days' entitlements.
- Actual royalty oil entitlements will be billed the 17th day of the second month after the month of entitlement with payment due the last day of the month in which billed.
- Payments must be made by electronic funds transfers.

ARTICLE VII - ADMINISTRATIVE CHARGES

The MMS shall assess, and the Purchaser agrees to pay, administrative charges to cover the identifiable costs of administering the Royalty-in-Kind program. The charges shall consist of an initial contract fee and a monthly variable charge for each active RIK lease specified in Exhibit A. The contract fee is \$20,000, which shall be billed in two equal \$10,000 installments on the 17th day of the first and second months of the contract and payable on the final days of those months, respectively. The monthly variable charge shall be equivalent to a monthly rate applied to the number of active Federal leases on each contract. It shall be billed and payable concurrent with the actual royalty oil entitlement billings as specified in Article VI. The monthly rate will be determined by MMS and is subject to change based on the number of Federal leases in the program and the estimated cost of administering the program.

ARTICLE VIII - LATE PAYMENT CHARGES

The MMS shall assess, and the Purchaser agrees to pay, a late payment charge on payments not received by MMS when due or on that portion of the payment less than the full amount due. The late payment charge shall be equivalent to an interest assessment on the amount past due for the number of days that the payment is late. The interest rate will be determined under Section 6621(a)(2) of the Internal Revenue Code of 1954, as amended, as required by 30 U.S.C. 1721.

ARTICLE IX - NOTICES

Any notices to be given by the Purchaser to MMS shall be in writing and shall be delivered personally to the Chief, Royalty Accounting Division, or may be forwarded by United States mail addressed to the Minerals Management Service, Chief, Royalty Accounting Division, P.O. Box 5760, Denver, Colorado 80217-5760, or may be sent by express mail to Minerals Management Service, Chief, Royalty Accounting Division, Building 85, Denver Federal Center, Denver, Colorado 80225.

Except as provided in Article XVII, any notice required to be given by MMS to the Purchaser shall be in writing and shall be delivered personally to the Purchaser or its/his representative or may be forwarded by United States mail to the address identified above.

ARTICLE X - SURETY

The Purchaser agrees to furnish to the Chief, Royalty Accounting Division, and to maintain an MMS-specified surety instrument in the sum of \$8,100,000 United States dollars conditioned upon compliance with the terms and provisions of this contract. It is understood and agreed by and between MMS and the Purchaser that MMS reserves the right to require an increase in the amount of the surety instrument when necessary to protect the interests of the United States. The surety instrument will be proportionately increased with any increase in volume or value of royalty oil purchased. Surety instruments include: an MMS-specified RIK contract surety bond, a financial institution book-entry certificate of deposit, and an MMS-specified irrevocable letter of credit. All MMS-specified surety instruments must be from financial institutions acceptable to MMS.

The letter of credit must be effective for a 9-month period beginning the first day the royalty oil contract is effective, and must contain a clause providing for automatic renewal monthly for a new 9-month period. The Purchaser or its/his surety company may elect not to renew the letter of credit at any monthly anniversary date, but must notify the Chief, Royalty Accounting Division, MMS, of the intent not to renew in writing at least 30 days prior to the anniversary date.

When a notice of intent not to renew a letter of credit is received by MMS, this contract will then be terminated by MMS effective at least 6 months prior to the expiration date of the letter of credit. The MMS may allow the Purchaser 45 days to obtain a replacement surety acceptable to MMS in order to continue this contract.

A financial institution book-entry certificate of deposit must be effective for a minimum of 9 months at all times or this contract will terminate.

ARTICLE XI - ORDERS TO PAY: ADMINISTRATIVE APPEALS

Determinations of the amount of monthly payments due MMS hereunder, and the interpretation of all provisions of this contract affecting the same, shall be made by MMS. Notwithstanding the provisions of any regulations in Title 30 of the Code of Federal Regulations to the contrary, the Purchaser agrees to comply immediately with all billings, orders, and decisions intended to carry out the terms and conditions of this contract, whether issued directly by the Secretary of the Interior, or by or through the Chief, Royalty Accounting Division, delivered to the Purchaser by written notice. Any order or decision for amounts due under this contract may be appealed in accordance with DOI regulations at 30 CFR 243 and 290.

Failure to comply with determinations of amounts due and other interpretations of this contract as made by MMS may result in the cancellation of this contract.

ARTICLE XII - RIGHT OF INGRESS AND EGRESS

For onshore leases, the Purchaser is hereby granted, for the purpose of removing the royalty oil purchased hereunder, the right of ingress and egress from the Federal land from which the royalty crude oil sold under this contract is produced; provided, that the right herein granted shall extend only to the right to remove said oil from said lands in a reasonable manner so as not to interfere with other users of said lands or with the improvements of an owner of a land patent from the United States if there be such owner.

ARTICLE XIII - AGREEMENTS

The Purchaser agrees to submit promptly to the Chief, Royalty Accounting Division, two authenticated copies of any written third party agreements and full written explanation, in duplicate, of any oral third party agreements relating to the methods and costs of delivery of the royalty oil purchases hereunder, or any other oil delivered in lieu of the royalty oil to the Purchaser's refinery. These agreements must be submitted within 30 days of the exchange agreement effective date.

Any such agreement must be in accordance with DOI policies and regulations. Failure to comply with these policies and regulations may result in the cancellation of this contract.

ARTICLE XIV - NONPERFORMANCE DUE TO CERTAIN CAUSES

The Purchaser shall not be charged with liability for damages for nonperformance of its/his obligations under this contract if such nonperformance is due to unforeseeable causes beyond the control and without the fault or negligence of the Purchaser including, but not restricted to, acts of God or the public enemy, acts of the Government, fires, floods, epidemics, quarantine restrictions, or strikes; provided, however, that this

Article shall not be construed to affect the right of MMS to cancel this contract for nonperformance by the Purchaser of any of the obligations provided herein, even if such nonperformance is due to the causes set forth in this Article.

ARTICLE XV - RESERVATIONS

It is understood and agreed by and between MMS and the Purchaser that this contract shall be subject to all war and emergency laws of Congress now or hereafter enacted and to all valid orders, rules, and regulations issued pursuant to such laws.

ARTICLE XVI - ORDERS, RULES, AND REGULATIONS

It is understood and agreed by and between MMS and the Purchaser that this contract shall be subject to all orders, rules, and regulations, now in effect or hereafter issued by MMS.

ARTICLE XVII - SURRENDER, CANCELLATION, AND TERMINATION OF CONTRACT

It is expressly understood and agreed by and between the parties hereto that the Chief, Royalty Accounting Division, is authorized and directed to refuse delivery of the royalty oil sold and purchased hereunder if payment therefore is not made in accordance with the provisions of this contract. It is further understood and agreed that MMS shall have the right, after service by the Chief, Royalty Accounting Division, on the Purchaser by certified mail of notice of non-receipt of payment, and upon payment not having been received within fifteen (15) days from the date of such notice, immediately to cancel this contract for failure of the Purchaser to pay for the oil as agreed herein. Any subsequent delinquencies may also result in the cancellation of this contract. It is expressly understood and agreed that MMS shall have the right immediately to cancel this contract for failure of the Purchaser to comply with any of the other terms and conditions specified herein, or the applicable statute or regulations under which this contract is made, after written notice of default has been mailed to the Purchaser. Nothing herein contained shall limit MMS in the enforcement of any legal or equitable remedy which it might otherwise have and waiver of any particular cause of forfeiture shall not prevent cancellation and forfeiture of this contract for any other cause of forfeiture or for the same cause occurring at any other time.

Upon the filing of a bankruptcy petition, this contract terminates immediately if the debtor-in-possession or the appointed bankruptcy trustee who succeeds to the contract does not comply with all requirements under this contract.

Any request by the Purchaser to surrender, cancel, or terminate this contract will be effective at 7:00 a.m. on the first day of the second calendar month following MMS's receipt of written notice. The request to terminate must be received by the 15th day of the month of notice.

ARTICLE XVIII - ASSIGNMENT

The Purchaser shall not make or attempt to make any assignment of this contract or any interest therein without prior written approval by the Chief, Royalty Accounting Division. For purposes of this contract, a change in refinery ownership will be construed as an assignment of this contract.

ARTICLE XIX - NONDISCRIMINATION

In connection with the performance of work under this contract, the Purchaser agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this contract.

ARTICLE XX - SHARE OR BENEFIT

Pursuant to 41 U.S.C. Section 22, no member of, or Delegate to Congress or officer, agent, or employee of the DOI shall be admitted to any share or part in this contract or derive any benefit that may arise therefrom.

ARTICLE XXI - CIVIL AND CRIMINAL PENALTIES

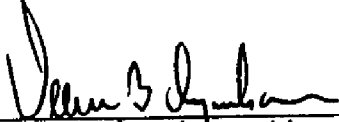
Failure by the Purchaser to abide by the terms of this contract or regulations governing Federal royalty oil shall result in civil and criminal penalties as specified in applicable laws and regulations.

ARTICLE XXII - AMENDMENTS

All amendments to this contract will be in accordance with approved MMS procedures and only upon written approval by the Chief, Royalty Accounting Division.

In witness whereof, the parties hereto have caused this contract to be executed in triplicate on the day and year first above written.

Minerals Management Service

By 
Acting Chief, Royalty Accounting Division

AGE Refining, Inc.

(SEAL)

By 

CORPORATE AUTHORITY

I, Al Gonzalez, certify that I am the
President of AGE Refining, Inc., named
as Purchaser herein, that Frank Del Angel, who signed
this contract on behalf of AGE Refining, Inc. was then
Vice President of said corporation, and that said contract
was duly executed for and on behalf of said corporation by authority of its
governing body and is within the scope of its corporate powers.

(CORPORATE SEAL)

AGE Refining, Inc.

By 

This contract is authorized by the
Mineral Lands Leasing Act of 1920,
30 U.S.C. § 181 et. seq, as amended,
the Mineral Leasing Act for Acquired
Lands, 30 U.S.C. § 351 to 359, as
amended, the Outer Continental Shelf
Lands Act, 43 U.S.C. § 1331 to 1356 as
amended, and the Outer Continental
Shelf Lands Act Amendments of 1978, 43
U.S.C. § 1331 et. seq., as amended.